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10 Proposed Attorneys for Michael A. McConnell,
11 Chapter 11 Trustee

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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
NORTHERN DIVISION

29 In re
30 HVI CAT CANYON, INC.,
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32 Debtor.

33 Case No.: 9:19-bk-11573-MB
34 Chapter 11

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1 professionals on a monthly basis (11 U.S.C. §§ 105(a), 328 and 330) effective October 21, 2019.

2 The motion is based upon this notice of motion, this motion, the Declaration of Michael A.
3 McConnell, the complete files and records of this case, and such other evidentiary matters as may
4 be presented to the Court.

5 **PLEASE TAKE FURTHER NOTICE** that, pursuant to Local Bankruptcy Rule 9013
6 1(o)(1)(A)(ii), any objection and request for hearing must be in writing and must be filed and
7 served within fourteen (14) days after of the date of mailing of this Notice, plus an additional 3
8 days if this notice of motion was served by mail or pursuant to Fed. R. Civ. P. 5(b)(2)(D) or (F).
9 The response or opposition to the application shall be filed with the Bankruptcy Court and served
10 on the United States Trustee, at 1415 State Street, Suite 148, Santa Barbara, CA 93101, and
11 counsel for the Trustee, Eric P. Israel, at 1901 Avenue of the Stars, Suite 450, Los Angeles, CA
12 90067.

13 If you fail to file a written response within fourteen days of the date of the service of this
14 notice, plus an additional 3 days if this notice of motion was served by mail or pursuant to Fed. R.
15 Civ. P. 5(b)(2)(D) or (F), the Court may treat such failure as a waiver of your right to oppose the
16 application and may grant the requested relief.

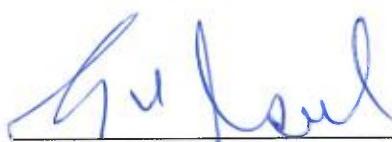
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18

19 DATED: November 14, 2019

DANNING, GILL, ISRAEL & KRASNOFF, LLP

20
21 By:



22 ERIC P. ISRAEL

23 Proposed Attorneys for Michael A. McConnell,
Chapter 11 Trustee

24

25 Date of Mailing: November 14, 2019

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27

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.**

3 **INTRODUCTION**

4 Section 331 of the Bankruptcy Code provides that an estate's professionals are entitled to
5 submit applications for interim compensation and reimbursement of expenses not more often than
6 every 120 days. Given the demanding pace and scope of services required in larger Chapter 11
7 cases, courts routinely establish procedures pursuant to which professionals may receive some
8 compensation, and have their expenses reimbursed, on a monthly basis. Such procedures allow
9 debtors, trustees and interested parties to better monitor professionals' fees on an ongoing basis,
10 allow estates to maintain a more level cash flow, and promote efficient cash management. Such
11 procedures also mitigate the burden on trustees and professionals who otherwise are required to
12 wait an extended period of time to receive payment for their valuable services. For these reasons,
13 and especially so that he can better monitor the estate's cash flow, the Trustee is requesting that the
14 Court establish such procedures in this case for fees and expenses incurred by the Trustee and his
15 professionals from October 21, 2019.

16

17 **II.**

18 **STATEMENT OF FACTS**

19 **A. BANKRUPTCY BACKGROUND**

20 On July 25, 2019 (the "Petition Date"), HVI Cat Canyon, Inc. (the "Debtor"), filed a
21 voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Code").
22 Initially, the Debtor continued to operate its business as debtor in possession of the estate,
23 exercising the rights and powers of a trustee. *See* 11 U.S.C. § 1107(a).

24 On or about August 9, 2019, the U.S. Trustee established an official committee of
25 unsecured creditors (the "Committee").

26 On or about October 16, 2019, the Court entered an order directing the Office of the United
27 States Trustee to appoint a Chapter 11 trustee. Michael A. McConnell accepted appointment as
28 the Chapter 11 trustee (the "Trustee"), and the Court entered an order approving his appointment.

1 **B. THE TRUSTEE AND PROFESSIONALS TO BE EMPLOYED BY THE TRUSTEE**

2 **1. The Debtor's Employment of General Bankruptcy Counsel**

3 On or about November 11, 2019, the Trustee filed an *Application by Debtor in Possession*
4 *for Authority to Employ Danning, Gill, Israel & Krasnoff, LLP as General Bankruptcy Counsel*
5 (the “Danning-Gill Employment Application”) (*docket no. 494*). The Trustee seeks authority to
6 employ Danning, Gill, Israel & Krasnoff, LLP (“Danning-Gill”) pursuant to § 327 of the Code and
7 pay Danning-Gill monthly.

8

9 **2. The Debtor's Application for Authority to Employ an Accountant**

10 On or about November 11, 2019, the Trustee filed an *Application by Trustee for Authority*
11 *to Employ CR3, LLC as his exclusive restructuring/financial advisor* (*docket no. 495*). The Trustee
12 seeks authority to employ CR3, LLC (“CR3”) pursuant to § 327 of the Code and pay CR3
13 monthly.

14

15 **3. The Trustee and His Staff**

16 Pursuant to § 326(a) of the Code, the Trustee is entitled to reasonable compensation for his
17 services, in an amount not to exceed the amount determined in accordance with the fee schedule set
18 forth in § 326(a). The Trustee will charge the estate for his and his staff’s services on an hourly-fee
19 basis, subject to the statutory cap on compensation. In awarding the Trustee compensation, the
20 Court will consider all relevant factors. See 11 U.S.C. § 330(a)(3). The Trustee will also request
21 reimbursement of expenses.

22

23 **4. The Committee Retains Counsel**

24 On or about September 20, 2019, the Committee filed an application to employ general
25 counsel (*docket no. 214*). The hearing thereon is set for November 12, 2019, at 11:00 a.m.

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5. The Trustee's Anticipated Application for Authority to Employ An Accountant

The Trustee anticipates that he will be filing an application for authority to an accountant for the purpose of providing general tax advice and preparing the estate's income tax returns. The accountant will seek compensation on an hourly-fee basis pursuant to §§ 330 and 331 of the Code.

6. The Trustee's Anticipated Employment of Other Professionals

From time to time, the Trustee may determine that it is necessary or appropriate to hire other or additional professionals to represent or counsel the Trustee in matters involving the estate. The Trustee's employment of such professionals will, of course, be subject to Court approval and their compensation and reimbursement of expenses will be subject to the Court-approved terms of their employment.

7. Monthly Reserves are Established by the Cash Collateral Budget

UBS, LLC (“UBS”) holds the first lien on all of the Debtor’s assets in this case. Pursuant to the budget filed on or about November 7, 2019 (*docket no. 474*), UBS has loaned money to the debtor and agreed to payments into a monthly reserve for the Trustee and his professionals, and for counsel for the Committee. The Trustee is only proposing monthly payments in this case to the extent of funds carved-out by the lender and designated for that purpose, or free and clear funds, if any.

III.

PROPOSED PROCEDURES

The Trustee is requesting that the Court approve the following procedures providing for monthly interim payments of compensation and reimbursement of actual expenses incurred by the Trustee and the estate's professionals, and counsel for the Committee:

1. **Optional Procedure.** These procedures are optional and need only be followed if a professional is seeking monthly compensation. If the Trustee determines that, for any reason, it

1 would be imprudent to make the payments permitted under this procedure, the Trustee may defer
2 making payments to professionals until such time that payments are ordered to be made by the
3 Court in connection with noticed fee applications.

4 2. **Scope.** These procedures apply only to requests for payment of fees and expenses
5 incurred from October 21, 2019. Requests for allowance and payment of fees and expenses
6 incurred prior to October 21, 2019, must be sought in accordance with §§ 330 and 331 of the Code,
7 and applicable federal and local bankruptcy rules.

8 3. **Professionals Entitled to Seek Payments Pursuant to These Procedures.** The
9 following professionals may request payment of compensation and expenses in accordance with
10 these procedures:

19 4. **Professionals Not Entitled to Seek Compensation and Reimbursement of**
20 **Expenses Pursuant to These Procedures.** The following professionals may *not* request payment
21 of compensation and reimbursement of expenses in accordance with these procedures:

- 22 (a) Weltman & Moskowitz, LLP (the Debtor-in-Possession's former general
23 bankruptcy counsel);
24 (b) Conway & Gibson, LLP (former financial advisors to Committee); and
25 (b) professionals employed "pursuant to 11 U.S.C. § 328."¹

²⁷ ¹ LBR 2014-1 provides that an application seeking approval of employment of a professional “must specify ambiguously whether the professional seeks compensation pursuant to 11 U.S.C. § 328 or
²⁸ (footnote continued...)

5. **Deadline for Filing and Serving Monthly Statements.** On or before the 20th day of each month following the month for which compensation and reimbursement of expenses is sought, each professional seeking fees and reimbursement of expenses from the estate must file and serve a monthly statement with the Court. The Statement shall be served on

6. Contents. Each monthly statement must include the following information:

- (a) the total amount of fees for which compensation is sought;
 - (b) the total amount of expenses for which reimbursement is sought;
 - (c) the names, hourly rates, total number of hours billed, and total amount of fees incurred by each individual providing services for which compensation is sought;
 - (d) a detailed listing of all time spent by the professional on matters for which compensation is sought;² and
 - (e) a summary listing of all expenses, by category (*e.g.*, photocopy costs, facsimile charges, travel, messenger and computer research), for which reimbursement is sought.

7. **Objections.** Any objection to a monthly statement must be filed no later than 14 days after the date on which the monthly statement is filed (the “Objection Deadline”). The objection must (a) be in writing, (b) set forth the precise nature of the objection, the grounds therefore, and the amount of fees and/or expenses to which the objection applies, and (c) be filed with the Court and served on the professional so that it is received by the professional on or before the Objection Deadline. A “blanket” or general objection to a monthly statement will be deemed to be a nullity and will not trigger the provisions of paragraph 9 below. A “joinder” to an objection will also be deemed a nullity if the joinder is not filed and served on or before the Objection Date.

8. **Interim Payment Authorized if No Objection.** If no timely objection is filed with respect to a monthly statement, the Trustee may pay the professional 80% of the fees and expenses

(continued)

11 U.S.C. § 330.” Generally, in local practice, professionals employed “pursuant to § 328” are those entitled to compensation on a fixed- or percentage-fee basis, and professionals employed “pursuant to § 330” are those entitled to compensation on an hourly-fee basis.

² See LBR 2016-1(a)(1)(E).

1 for which payment was sought. Such payments will be made on an interim basis and will be
2 subject to the filing of interim and final fee applications.

3 **9. Procedure If Objection Is Filed.** If a timely objection is filed with respect to a
4 monthly statement, the objecting party and the applicable professional may attempt to resolve the
5 objection on a consensual basis. If the parties do not reach a consensual resolution of the objection,
6 the professional may either (a) set the matter for hearing on at least 14 days' notice to the objecting
7 party, or (b) forego payment of the disputed amount and seek approval of such disputed amount in
8 connection with its next interim, or final, fee application.

9 **10. Interim Payment of Amounts to Which No Objection is Made.** Pending
10 resolution of any timely objection, the Trustee may pay the professional the lesser of (a) 80% of the
11 fees and 100% of the expenses requested in the monthly statement, and (b) the aggregate amount of
12 fees and expenses requested in the monthly statement as to which no timely objection was made.

13 **11. Fee Applications Required.** In accordance with § 331 and applicable rules and
14 guidelines, each professional will file and serve (in accordance with the Bankruptcy Code and
15 federal and local rules) an application for Court approval of interim compensation (including the
16 20% held back pursuant to paragraphs 9 and 10 above) and reimbursement of expenses not less
17 frequently than every 120 days. Any professional who fails to file an application for interim
18 compensation when due will be ineligible to receive further monthly payments of fees and
19 expenses pursuant to the filing of monthly statements as provided above, until such professional
20 submits an application for interim compensation which is then ruled upon by the Court.

21 **12. Effect of Objection on Future Fee Requests.** The pendency of an objection to
22 payment of compensation or expenses requested by a professional in a particular monthly statement
23 or interim fee application will not prevent such professional from receiving payment of fees and
24 expenses pursuant to future monthly statements served in accordance with these procedures, except
25 as otherwise ordered by the Court.

26 **13. No Waiver of Objections.** Neither the payment of, nor the failure of any party to
27 object to, fees and expenses requested in a monthly statement will in any way act as a waiver of the
28 right to later object to such fees and expenses, or otherwise bind any party or the Court with respect

1 to the subsequent consideration of the interim or final allowance of fees and expenses of any
2 professional.

3

4 **IV.**

5

ARGUMENT

6 **A. THE PROPOSED INTERIM FEE PROCEDURE SHOULD BE APPROVED**

7 Section 331 of the Code provides for the payment of interim compensation to professionals
8 retained by trustees, debtors in possession, and official committees. In enacting this and related
9 provisions, Congress adopted the principle that “[p]rofessionals in bankruptcy cases are entitled to
10 be paid on a comparable basis to other privately retained counsel, both in terms of timeliness and
11 amount of payment.” *In re Commercial Consortium of Cal.*, 135 B.R. 120, 123 (Bankr. C.D. Cal.
12 1991) (citing *Burgess v. Klenske (In re Monoa Fin. Co., Inc.)*, 853 F.2d 687, 690 (9th Cir. 1988));
13 *In re Nucorp Energy, Inc.*, 764 F.2d 655, 658-59 (9th Cir. 1985); *First Nat'l Bank of Chicago v.*
14 *Comm. of Creditors Holding Unsecured Claims (In re Powerine Oil Co.)*, 71 B.R. 767, 770 (9th
15 Cir. BAP 1986).

16 The Bankruptcy Appellate Panel for the Ninth Circuit has recognized that interim payments
17 for professionals on a monthly basis are appropriate in large cases. *See U.S. Trustee v. Knudsen*
18 *Corp. (In re Knudsen Corp.)*, 84 B.R. 668 (B.A.P. 9th Cir. 1988). In *Knudsen*, the BAP observed
19 that

20 the problem, arising especially in large cases, is that when counsel
21 must wait an extended period for payment, counsel is essentially
22 compelled to finance the reorganization. This result is improper and
23 may discourage qualified practitioners from participating in
bankruptcy cases; a result that is clearly contrary to Congressional
intent.

24 *Id.* at 672. Monthly payments to professionals may be appropriate without prior court approval so
25 long as they are made pursuant to a procedure that provides the opportunity for subsequent review
26 by the court. *Id.* at 671-72. The procedure proposed in this motion provides ample opportunity for
27 such review.

28 ///

1 Furthermore, in *Knudsen* the BAP identified four factors a court may consider when
2 determining whether to adopt procedures such as those proposed by the Trustee in this case: (1) the
3 case is an unusually large one in which an exceptionally large amount of fees accrue each month;
4 (2) the court is satisfied that waiting an extended period of time for payment will place an undue
5 hardship on professionals; (3) the court is satisfied that the professionals will be able to respond to
6 any subsequent reassessment of fees paid pursuant to the procedures; and (4) the procedures are the
7 subject of a noticed hearing prior to any payment thereunder. *Id.* at 672-73.

8 First, although this case is not the size of *Enron* or *Kmart*, it is sufficiently large to warrant
9 the approval of procedures outlined above. The Trustee and his staff, as well as his professionals,
10 are providing significant services to the estate, and advancing significant costs, and are expected to
11 do so going forward until the Debtor's business is sold or may be reorganized with a Chapter 11
12 plan confirmed. Second, the Trustee, his attorneys, and his restructuring/financial advisor did not
13 receive any retainers upon their appointment or retention; as such, requiring the affected
14 professionals to delay their receipt of potentially substantial sums will cause them to suffer an
15 unreasonable and unnecessary hardship. Third, the proposed procedure provides for a 20% fee
16 holdback (one of the methods suggested by the BAP in *Knudsen*) to ensure that each affected
17 professional will be able to address any reassessment of fees or costs paid prior to interim or final
18 allowance. Fourth, the proposed fee procedure is the subject of a noticed motion and a hearing, to
19 be heard before the Trustee makes any payments pursuant thereto.

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1 Although not expressly identified by the BAP in *Knudsen*, there are at least two other
2 factors warranting approval of the Trustee's proposed procedures. First, Court has approved a
3 borrowing proposal from UBS that includes a carve-out for professionals. The budget is attached
4 as Exhibit "1" and incorporated herein by this reference. It is anticipated that future budgets will
5 similarly provide reserves for professionals. Because those funds are specifically set aside for the
6 Trustee and his professionals, and Committee counsel, neither the debtor's business nor creditors
7 will be prejudiced in any way. Second, paying the Trustee and professionals on a monthly basis
8 will allow the Trustee to better monitor the fees and costs being incurred by the estate, and manage
9 the estate's monthly cash flow to help ensure that the estate is administered as efficiently as
10 possible.

11

12

V.

13

CONCLUSION

14 For the foregoing reasons, the Trustee requests that the Court enter an order (1) establishing
15 a procedure for monthly payments of compensation and reimbursement of expenses incurred by the
16 Trustee and his professionals, and counsel for the Committee, from October 21, 2019, and
17 (2) authorizing the Trustee to pay 80% of such fees and costs in accord with the procedures above.
18 The Trustee also requests such further relief as the Court deems just and proper.

19

20

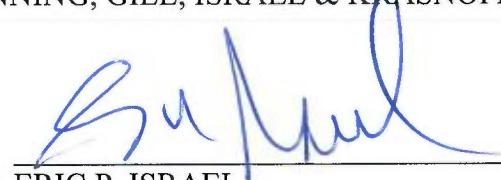
DATED: November 13, 2019

DANNING, GILL, ISRAEL & KRASNOFF, LLP

21

22

By:



ERIC P. ISRAEL

Proposed Attorneys for Michael A. McConnell,
Chapter 11 Trustee

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1 DECLARATION OF MICHAEL A. MCCONNELL
2

3 I, Michael A. McConnell , declare and state as follows:

4 1. I am the Chapter 11 trustee of the estate of HVI Cat Canyon, Inc. (the “Debtor”).

5 2. I have personal knowledge of the facts in this declaration and, if called as a witness,
6 could testify competently to these facts.

7 3. This declaration is offered in support of the foregoing motion for an order
8 (1) establishing procedures for the payment of interim compensation and reimbursement of
9 expenses, and (2) authorizing me to pay such fees and costs on a monthly basis (the “Motion”),
10 which I have read.

11 4. Thus far, I have employed, or are in the process of employing, or intend to seek
12 authority to employ the following: Danning, Gill, Israel & Krasnoff, LLP, as my general counsel
13 and CR3, LLP as my restructuring/financial advisor and an accountant for the purpose of providing
14 general tax advice and preparing the estate’s income tax returns. I anticipate that I may determine
15 that it is necessary or appropriate to hire other or additional professionals to represent or counsel
16 me in matters involving the estate. Because of the number of professionals required, and the scope
17 of services that will require be provided by them, I anticipate that the estate will incur substantial
18 professional fees and costs.

19 5. For the reasons set forth in the Motion, I am requesting that the Court approve my
20 proposed procedures for monthly interim payments of compensation and reimbursement of actual
21 expenses incurred by me and my professionals, and counsel for the Committee. I understand that
22 such procedures are often utilized in large bankruptcy cases in which professionals will be required
23 to incur substantial fees and expenses, and where the non-payment of fees and expenses on a
24 monthly basis will cause a hardship to professionals. I believe that this is such a case.

25 6. UBS, LLC (“UBS”) holds the first lien on all of the Debtor’s assets in this case.
26 Pursuant to the budget filed on or about November 7, 2019 (*docket no. 474*), UBS has loaned me
27 money and agreed to payments into a monthly reserve for the Trustee and his professionals, and for

1 counsel for the Committee. I am only proposing monthly payments in this case to the extent of
2 funds carved-out by the lender and designated for that purpose, or free and clear funds, if any.

3 7. I also strongly believe that it is appropriate to adopt the procedures proposed in the
4 Motion so that I can better monitor the professional fees and costs being incurred by the estate, and
5 manage the estate's monthly cash flow. I believe this will assist me in ensuring that the estate is
6 administered as efficiently as possible.

7 8. I am requesting to be paid monthly, on an interim basis, based upon 80% of my
8 hourly rate of \$650/hour, plus expenses, the same as my professionals. I believe that payments on
9 account of fees under this framework will be less than the statutory cap provided in 11 U.S.C. §
10 326, but I understand that ultimately my compensation will be based upon disbursements pursuant
11 to section 326. The proposed budget with UBS provides for \$25k per week for fees and expenses
12 of the Trustee. I will follow the same procedures as other professionals to seek monthly payments
13 by Professional Fee Statement.

15 I declare under penalty of perjury under the laws of the United States of America that the
16 foregoing is true and correct. 

17 Executed on November 1, 2019, at Los Angeles, California.

Michael A. McConville

EXHIBIT 1

Notes	HVI CAT CANYON INC.	Forecast	Forecast			Forecast	Forecast	TOTAL
			Week 14 28-Oct-19	Week 15 4-Nov-19	Week 16 11-Nov-19			
1	Beginning Cash Balance 36,784							36,784
2	Cash Inflows							
3	SMV							
4	Redu							
5	Belfridge							
	Total Cash Inflows							
6	Royalties							
7	Escrow/Royalties							
	Total Net Cash Inflows							
	Cash Outflows							
8	Operating Expenses							
9	Payroll Checks							
10	Payroll Taxes							
11	Garnishment & Child Support							
12	Surface Rents							
13	Consultants							
14	Phones							
15	Power PG&E							
16	Power SoCalEdison							
17	Waste Management							
18	Water							
19	SouthernCalGas							
	Portable Restrooms							
	Almonds							
	Cafeteria							
	Copies							
20	Chemicals							
21	Pumps							
22	Gasoline							
23	Transportation							
24	Vacuum Trucks							
25	ICR							

Notes	Week starting	TOTAL					
		Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	Forecast Week 19 25-Nov-19
20	Electricians	10,000	5,000	10,000	5,000	5,000	30,000
21	Welders	5,000	2,500	2,500	2,500	2,500	12,500
22	Supplies (Belts-Parts)	2,000	1,500	1,500	1,500	1,500	6,500
23	Parts (Compressor/Pipe, others)	5,000	5,000	5,000	5,000	5,000	20,000
24	Clean Chemical towels	3,000	1,500	1,500	1,500	1,500	7,500
25	Vehicle maintenance	16,000	-	8,000	-	-	24,000
26	Drink Water	150	-	150	-	-	300
27	Weed abatement	15,000	10,000	10,000	10,000	10,000	45,000
28	Well Analysis	3,000	-	3,000	-	-	6,000
29	Compliance	25,000	-	25,000	-	-	50,000
30	Fire Department APCD	-	2,000	2,000	2,000	2,000	8,000
31	SBP - APCD	-	-	-	146,436	-	146,436
32	SBP - P&D	-	-	-	159,843	-	159,843
33	SBP - FD	-	-	-	16,440	-	16,440
34	SBP - EHS	-	-	-	10,475	-	10,475
35	SBP - Tax	-	-	-	-	-	-
36	Escrow - Surface Rents	7,500	-	-	-	-	7,500
37	Netherlands and Sewer Reserve Report	-	-	-	-	-	-
38	Total Operating Expenses	28,763	373,978	86,575	1,470,357	111,175	2,069,948
39	G&A Expenses	100	100	100	100	100	500
40	Bank Charges & fees	9,000	9,000	9,000	9,000	9,000	37,000
41	Insurances	228,834	108,894	108,894	108,894	108,894	664,410
42	Chapter 11 Trustee Professionals	-	-	-	-	-	25,000
43	Unsecured Creditor Committee Professionals	-	-	-	-	-	25,000
44	U.S. Trustee Payment	25,000	-	-	-	-	25,000
45	Backoffice & Administrative	-	-	-	156,000	-	156,000
46	Interest	-	-	-	-	-	-
47	Total G&A	228,934	142,994	117,994	133,994	133,994	907,910
48	Health and Safety	-	-	-	-	-	-
49	SMV Health and Safety	28,000	88,000	56,000	16,000	16,000	188,000
50	Bridging Health and Safety	4,500	5,000	20,000	3,000	3,000	32,500

HW CAT CANYON INC.		Forecast		Forecast		Forecast		TOTAL	
	Notes	Week 24	Week 15	Week 16	Week 17	Week 18	Week 19	Week 25-Nov-19	
44	Week 14-15 budget week starting	28-Oct-19	4-Nov-19	11-Nov-19	18-Nov-19				
	Redi Health and Safety		31,047	3,000	16,000	40,000		90,047	
	Total Health and Safety		63,547	96,000	92,000	59,000		310,547	
45	Total Cash Outflows		257,697	579,618	300,569	1,846,351		3,288,405	
	Net Cash Flow		(257,697)	(713,699)	(300,569)	(445,740)		(304,169)	[2,021,875]
	Beginning Cash Balance		36,784						36,784
	Net Cash Flow		(257,697)	(713,699)	(300,569)	(445,740)		(304,169)	[2,021,875]
	Net Borrowing/(Pay Down)		220,913	(713,699)	300,569	(445,740)		304,169	1,985,091
	Ending Cash Balance		220,913	934,613	1,235,182	1,680,922		1,985,091	1,985,091
46	Loan Balance								
1	Book Bank Balance Reconciliation								
	Starting Balance 10/24/19		18,022						
	Transfer for net amount for Sept Revenue			23,810					
	Transfer #1 against October Revenue			60,000					
	Transfer #2 against October Revenue			20,000					
	Balance as of 10/25/19			121,832					
	Total Check Disbursements on 10/25/19				85,018				
	Net Available book balance 10/28/19				36,784				

Forecast dependent on actual volume of delivered barrels, price and gravity adjustments.
The price per barrel is calculated for Santa Maria Valley using the average price per barrel posted by Chevron, Union 76, Exxon and Shell for Midway Sun.

Crude less \$.77.

The price per barrel for Redi is calculated using the average price per barrel posted by the same 4 corporations for Buena Vista crude less \$.55-.75.

The price per barrel for Belridge is calculated using the average price per barrel posted by the same 4 corporations or Buena Vista crude less \$.0-.75.

All pricing is subject to adjustments based upon the gravity of the oil produced. The prior month's revenue is collected on the 20th of the following month. See the October 2019 Revenue Projection schedule for a detailed build up of the forecasted revenue.

Affiliate California Asphalt Production, Inc. advanced \$80k of the forecasted revenue for October to HV in week 13 and an additional \$12k in week 15 to cover a surface lease payment to Bisselser Inc.

	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
Notes	Weeks 14-18 budget	Week 14 28-Oct-19	Week 15 4-Nov-19	Week 16 11-Nov-19	Week 17 18-Nov-19	Week 18 25-Nov-19	
4	In aggregate, monthly royalties are approximately 15% of production which is approximately 1 month's revenue less the LCR shipments.						
5	Escrow Royalties are based upon an insider's 2.5% overriding royalty on 1 month's production which is approximately 1 month's revenue less the LCR shipments.						
6	Due to cash flow constraints in Week 14, payment of Escrow Royalties for the week were rolled into the forecasted disbursements for week 15.						
7	Bi-weekly payroll for HVI's 41 employees, including insider Alex Dimitrijevic's compensation, due on the 1st of each month. This amount includes \$600 of HVI's subject to a 35% tax.						
8	Schedule of payroll taxes due to State and Federal Taxing Authorities due on week 13:						
9	Surface Rent Sub Schedule:						
10	Surface Lease Owner:						
11	Boissevant	\$ 19,956	\$ 19,956	\$ 19,956	\$ 19,956	\$ 19,956	
12	Bugajko	\$ 41,878	\$ 41,878	\$ 41,878	\$ 41,878	\$ 41,878	
13	Medema (4/2) Thomson (3/4) - McLaughlin (1/4)	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	
14	(3) Etchandy family members	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
15	State College, LLC (Evelyn Roper)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
16	Adam Family Trust	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
17	Orcutt Fee, LLC	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
18	Marianne Friedl	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
19	C.M.T.LLC	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
20	Manfred Sandler	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
21	E & B Natural Resources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
22	Grundoon, LLC (Firestone)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	

Notes	Week Starting	Weeks 14-18 budget	Forecast		Forecast		Forecast		Forecast		TOTAL	
			Week 14 28-Oct-19	Week 15 4-Nov-19	Week 16 11-Nov-19	Week 17 18-Nov-19	Week 18 25-Nov-19					
Morgan Ranch		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Morgan Ranch		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Railroad		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Righetti Family members		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(3) Judy A. Rogers, Ronald H. Souza, Jr., Michael J.		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Souza		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Roland and Sandy Miller		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Multiple Bradley Lands		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total amount due in week 14		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HVI pays the following 3 consultants on a biweekly basis:		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10 Name and Description:		Amount:										
I) William LaFleur - Landman		\$	3,000									
II) Innovative Consulting Solutions - production		\$	1,923									
accountant for royalty calculations		\$	4,085									
III) Alliance-Hydro - Geologist		\$	9,008									
Total Amount due to Consultants		\$										
Amounts include HVI's office line at their East Clarke office and cell phones for all field employees.												
Per adequate assurance order, \$30k deposit due in Week 15 and \$170k due in Week 17 (prior to the 20th).												
11 Amount due for prior month's power usage.												
12 Chemicals used for H2S removal that are critical to production - currently on COD terms with chemicals vendor												
13 Pump maintenance and rework costs that are critical to production.												
14 Pump makes daily gasoline purchases for the tankers used to haul oil and gas production with a weekly run rate of approximately \$12.500. Week 15 assumes												
15 HVI makes weekly run rate and payment of approximately \$12.5k of overdue invoices												
16 Amount due to affiliate GTI for transportation costs for hauling crude and LCR vehicle leasing and insurance costs and demurrage charges. GTI pays												
17 drivers \$17.50/hr. for demurrage but charges HVI \$80/hr.												
18 Amount due to affiliate GTI for vacuum trucks. HVI pays \$80/hr. has a monthly run rate between 500-700 hours, and week 17 assumes a 700 hour month.												
19 Per Ernesto Olivares, as of 10/27/19, HVI has received 7,476 BBLs of Light Crude (LCR) deliveries priced at \$76.50 per BBL. Approximately 100 additional BBLs are estimated to be delivered before month's end.												
20 The weekly run rate for electricians is approximately \$5k and week 15 assumes payment of approximately \$5k of overdue invoices.												
21 The weekly run rate for welders is approximately \$2.5k and week 15 assumes payment of approximately \$2.5k of overdue invoices.												

	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	TOTAL
Notes	Weeks 14-18 budget week starting	Week 14 28-Oct-19	Week 15 4-Nov-19	Week 16 11-Nov-19	Week 17 18-Nov-19	Week 18 25-Nov-19		
22	Assumes a weekly run rate of \$1.5K with an additional approximately \$1K of overdue invoices to be paid in week 15.							
23	Assumes a weekly run rate of \$1.5K for H2S fluid and week 15 assumes payment of \$1.5K of invoices due in week 14.							
24	Assumes \$3K bi-weekly run rate for the maintenance costs for all oil field service vehicles, including rigs. Week 15 assumes payment of an overdue invoice for approximately \$8K for rig maintenance.							
25	Weekly run rate for critical safety and fire protection for HVI's 700+ wells and reduction of Notice of Violation ("NOV") fines. Currently understaffed in this area and run rate assumes increasing team size from 1 to approximately 2 five man teams.							
26	Per Alex D, up to date on well inspections through week 14 so run rate assumes bi-weekly maintenance needed in November 2019.							
27	Weekly run rate for 3rd party consultants for critical compliance requirements such as SPG ("Spill Prevention and Countermeasure") plans and APCD ("Air Pollution and Control District") plans that need to be submitted before year end to mitigate future fines and penalties from regulatory bodies.							
28	Related to administrative invoicing for APCD post-petition inspections related to 35 permits necessary to mitigate potential fines and penalties.							
29	Passed due post-petition Permit to Operate ("PTO") fees from the APCD for the following 13 HVI leases, excluding lease quitclaimed to an insider. Subject to revision if additional permit fees for quitclaimed leases to insiders are identified:							
30	Facility Fee							
	Armenia Lease PTO No. 07775 - R8.	\$ 7,895						
	Battles Lease PTO No. 08219 - R11	\$ 7,323						
	Bradley Lands/Bradley Consolidated Lease PTO No. 070	\$ 41,123						
	Continental Lease PTO No. 08222 - R11	\$ 5,425						
	Gross Development Lease PTO No. 08863 - R9	\$ 458						
	East Valley Farms Lease PTO No. 08864 - R9	\$ 458						
	Fulterton Lease PTO No. 08868 - R13	\$ 7,551						
	Jim Hopkins Lease PTO No. 09310 - R8	\$ 13,796						
	Lakeview Gas Plant PTO No. 10108 - R8	\$ 38,032						
	Lakeview Lease PTO No. 10096 - R8	\$ 7,385						
	Los Flores PTO No. 07307 - R12	\$ 16,074						
	McKenzie Lease PTO No. 10079 - R8	\$ 458						
	Ocean Lease PTO No. 10080 - R8	\$ 458						
	Total due for APCD Permits to Operate Excluded PTO fee due to a quitclaimed lease to an insider.	\$ 146,936						

Notes week starting	HVI CAYON INC.	Forecast Week 14 28-Oct-19	Forecast Week 15 4-Nov-19	Forecast Week 16 11-Nov-19	Forecast Week 17 18-Nov-19	Forecast Week 18 25-Nov-19	TOTAL	
31.	Götc Lease/P/O No. 11078 - R8	\$ 4,679						
	Amount is based upon the following County of Santa Barbara Planning and Development post-petition facility and lease inspection fees. Subject to revision if additional permits or quitclaimed leases to insiders are identified:							
	Account Number/Permit ID Number:	Amount:						
	Permit ID # 19ACT-00000-00914 for 500 post-petition uninspected facilities	\$ 110,452						
	19ACT-00880	\$ 210						
	19ACT-00922	\$ 6,580						
	19ACT-00920	\$ 10						
	19ACT-00924	\$ 350						
	19ACT-00921	\$ 6,280						
	19ACT-00926	\$ 12,640						
	19ACT-00928	\$ 9,032						
	19ACT-00938	\$ 30						
	19ACT-00930	\$ 30						
	19ACT-00932	\$ 108						
	19ACT-00934	\$ 108						
	19ACT-00936	\$ 222						
	19ACT-00887	\$ 420						
	19ACT-00878	\$ 210						
	19ACT-00877	\$ 210						
	19ACT-00879	\$ 220						
	19ACT-00881	\$ 220						
	19ACT-00924	\$ 12,640						
	Total due for P&D for inspection fees	\$ 159,843						
	Amount is based upon the following Santa Barbara County Fire Department Post-Petition California Fire Code Inspection Permit Fees. Subject to revision if additional permits or quitclaimed leases to insiders are identified:							
	Site Name:	Amount:						
	Battles	\$ 1,270						
	Blochman	\$ 1,370						
	Bell Gas Compressor	\$ 1,370						
	Bell Lease	\$ 1,370						
	Casmalia/Motzen	\$ 1,370						

Notes Weeks starting	HVN CAT CANYON INC. Weeks 14-18 budget	Forecast			Forecast		Forecast		TOTAL
		Week 14 28-Oct-19	Week 15 4-Nov-19	Week 16 11-Nov-19	Week 17 18-Nov-19	Week 18 25-Nov-19	Week 17 18-Nov-19	Week 18 25-Nov-19	
Chamberlin, S.	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 13,700
Chamberlin	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 13,700
Davis, B.	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 13,700
Davis	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 13,700
Fullerton Lease	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 13,700
Jim Hopkins	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 13,700
Los Flores	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 1,370	\$ 13,700
Total due for Fire Department CPC permits Per Docket #308, Declaration of James Ray California Unified Program Agency Supervisor for the Santa Barbara County Environmental Health Services ("EHS"), amounts due for the following State Barbed Post-petition Environmental Health Services Permit Fees - originally forecast to be distributed in week 2:	\$ 16,440								
Permit ID:									
FA0010063	\$ 1,857								
FA0010325	555								
FA0010326	555								
FA0011176	555								
FA0011177	555								
FA0012015	555								
FA0012328	555								
FA0012329	555								
FA0012330	555								
FA0012495	555								
FA0013065	555								
FA0013112	555								
FA0013113	555								
FA0013114	555								
FA0013136	555								
FA0015899	\$ 348								
Total amount due for EHS permits	\$ 10,475								
Rent due on HVN East Crate office - not approved under Interim Cash Collateral Order									
Chapter 11 trustee negotiated a progress payment plan with Netherland & Sewell for a 2019 Reserve Report. The plan starts at \$25k a week once they start work.									
33									
34									
35									

	HVI CAT CANYON INC.	Forecast	Forecast	Forecast	Forecast	TOTAL
Notes	Weeks 14-18 budget	Week 14 28-Oct-19	Week 15 4-Nov-19	Week 16 11-Nov-19	Week 17 18-Nov-19	Week 18 25-Nov-19
36	Per Ernesto Olivares, a total of \$18k for workers' compensation insurance to be paid in weeks 15 and 16 and \$18k to renew \$1MM bond due in week 17.					
37	Chapter 11 Trustee professionals agree to a 20% deferral of professional fees incurred during this 5-week period, assuming the bankruptcy does not cause out the remaining 20%. Per Professional Fee Budget, weekly payments for Chapter 11 Trustee, Counsel and Financial Advisor will be put in escrow during this 5-week budget. Payments to professionals to be made only after formal payment applications are approved and payments authorized.					
38	Per Professional Fee Budget, Unsecured Creditors Committee Counsel has a forecasted \$25k monthly run rate and payments will be put in escrow during this 5-week budget.					
39	Per Professional Fees Budget, US Trustee payment for Q3 2019 forecasted for week 15 based upon 1% of debtors disbursements in Q3 2019 of approximately \$2.5M per August and September Monthly Operating Reports ("MOR").					
40	Per Ernesto Olivares on 10/30/2019, affiliate GJT's October 2019 invoice for back offices and administrative services will be approximately \$156k. GJT allocates expenses among the affiliated entities based upon headcount of each respective entity. Per Cost and Sale Summary Schedule, GJT's allocation and the Legal Fee summary schedule details of the pre-petition invoices offset against revenue due to HVI in Week 13.					
41	Per the draft 13-week Health and Safety Budget to be presented in 2-weeks.					
42	The amounts reflected here reflect the first 4-weeks of the draft 13-week total SMV Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$275k but should reduce compliance violation fines and environmental risks.					
43	The amounts reflected here reflect the first 4-weeks of the draft 13-week total Bridgeridge Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$366k but should reduce compliance violation fines, environmental risks and, by reducing these liabilities, potentially make the field more attractive to prospective buyers.					
44	The amounts reflected here reflect the first 4-weeks of the draft 13-week total Redu Health and Safety Budget. Over the full 13-week period forecasted expenses are approximately \$237k but should reduce compliance violation fines, environmental risks, and, by reducing these liabilities, potentially make the field more attractive to prospective buyers.					
45	Total Cash Outflows for Operating, General and Administrative, and Health and Safety Expenses, but not including royalties, Estimated Funding required for the 5-week period ending week 18, excluding interest, is approximately \$2M. Interest to be added to the 13-week budget to be presented in 2-weeks.					

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 1901 Avenue of the Stars, Suite 450, Los Angeles, CA 90067-6006.

A true and correct copy of the foregoing document entitled (*specify*): **MOTION OF CHAPTER 11 TRUSTEE FOR ORDER (1) ESTABLISHING PROCEDURES FOR THE PAYMENT OF INTERIM COMPENSATION AND REIMBURSEMENT OF EXPENSES (11 U.S.C. §§ 105(a) and 331), AND AUTHORIZING PAYMENT ON A MONTHLY BASIS (11 U.S.C. § 328); AND MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATION OF MICHAEL A. MCCONNELL** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On November 14, 2019, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page.

2. SERVED BY UNITED STATES MAIL: On November 14, 2019, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Debtor
HVI Cat Canyon, Inc.
630 Fifth Avenue
Suite 2410
New York, NY 10111

Service information continued on attached page.

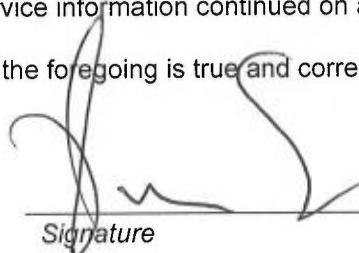
3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on November 14, 2019, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Served by Personal Delivery to be delivered by November 15, 2019

The Honorable Martin R. Bash
U.S. Bankruptcy Court
21041 Burbank Boulevard, Bin on 1st Floor outside entry to Intake Section
Woodland Hills, CA 91367

Service information continued on attached page.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.


Signature

November 14, 2019	Vivian Servin
Date	Printed Name

ADDITIONAL SERVICE INFORMATION (if needed):

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